

Message Text

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ACTION EB-03

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TO SECSTATE WASHDC PRIORITY 6351

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

C O N F I D E N T I A L LAGOS 9407

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E.O. 11652: GDS

TAGS: ENRG, NI

SUBJ: NIGERIANS REBUT US IN OIL PRICE "WAR"

REF: JAKARTA 12184

SUMMARY: NIGERIAN OFFICIALS AND NEWSPAPERS HAVE AT LAST REACTED
TO RECENT STATEMENTS BY PRESIDENT FORD AND OTHER US POLICYMAKERS
ON OIL PRICES AND WORLD ECONOMIC RELATIONS. US ALLUSIONS TO WAR
AND ECONOMIC CATASTROPHE ARE EVERYWHERE REGARDED AS A THREAT
AGAINST THE OIL-PRODUCING COUNTRIES, RATHER THAN A COMMON DANGER
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WE MUST WORK TOGETHER TO AVOID. AS IN INDONESIA (REFTEL), OUR

MESSAGE ABOUT INTERDEPENDENCE AND DESIRE FOR COOPERATION IS NOT GETTING THROUGH. END SUMMARY.

1. NIGERIAN REACTION TO RECENT STATEMENTS BY PRESIDENT FORD AND OTHER US POLICYMAKERS ON OIL AND ENERGY MATTERS HAS BEEN DELAYED IN PART BECAUSE MOST OFFICIAL SPOKESMEN WERE OUT OF COUNTRY. COMMISSIONER OF EXTERNAL AFFAIRS ARIKPO MADE THE FIRST REPLY OCTOBER 3 IN HIS SPEECH TO THE UNGA (SEE USUN 3695) WHICH HAS BEEN OFFICIALLY INTERPRETED HERE AS A CONDEMNATION OF DEVELOPED COUNTRIES FOR THREATENING TO USE "EARLY NINETEENTH CENTURY GUNBOATS METHODS" TO REDUCE OIL PRICES. THEN COMMISSIONER OF MINES AND POWER MONGUNO RELEASED A STATEMENT OCTOBER 5 PROTESTING AGAINST THE "UNWARRANTED, UNREALISTIC, AND UNSYMPATHETIC ATTITUDES" OF THE OIL CONSUMING COUNTRIES AND REJECTING "DICTATION FROM OUTSIDE" TO DETERMINE OIL PRICES "WITHOUT RECIPROCAL GESTURE" (BY WHICH HE PRESUMABLY MEANS THE INDUSTRIALIZED COUNTRIES UNDERTAKING TO CONTROL THE PRICES OF THEIR EXPORTS).

2. A SPATE OF EDITORIALS HAS FOLLOWED, ALL OF WHICH SINGLE OUT THE UNITED STATES AS THE PRINCIPAL VILLAIN OF THE PIECE. THE EDITORIALS ARE BASED ON OVER-SIMPLIFIED AND BIASED INTERPRETATION OF RECENT US STATEMENTS, BUT THIS REVEALS THE PASSION WITH WHICH NIGERIANS REACT TO ALMOST ANYTHING WE MIGHT SAY ABOUT THE PRICE OF THEIR ONLY SIGNIFICANT EXPORT. ALL NEWSPAPERS HAVE INTERPRETED THE DANGERS CITED BY THE PRESIDENT TO BE THREATS HELD OVER THE HEADS OF PRODUCING COUNTRIES. THE DAILY TIMES WARNED AGAINST THE THREAT OF A RETALIATORY FOOD WAR AGAINST THE POOR COUNTRIES. THE NIGERIAN CHRONICLE SEES THE POSSIBILITY OF AMERICAN SUBVERSION IN THE MANNER OF WHAT IS ALLEGED TO HAVE TAKEN PLACE IN CHILE. THE NIGERIAN HERALD SAYS AMERICA IS FORCING THE POOR COUNTRIES TO "REMAIN OPEN WELLS" FROM WHICH TO DRAW CHEAP RESOURCES IN EXCHANGE FOR COMMODITIES AT STEEPLY INFLATED PRICES. THE NEW NIGERIAN CALLS OUR STANDARD OF LIVING PROVOCATIVE, AND THE NIGERIAN OBSERVER BLAMES PROFITEERING BY WESTERN OIL COMPANIES FOR THE RECENT INCREASE OF OIL PRICES.

3. ALTHOUGH NIGERIAN OFFICIALS CANNOT BE EXPECTED TO SHARE THE MORE EXTREME OF THE EDITORIALISTS' VIEWS, THEY TOO REGARD THE PRESIDENT'S WORDS AS THREATENING. A SENIOR OIL OFFICIAL RAISED THE MATTER OCTOBER 7 WITH EMBOFF AND SAID THE PRESIDENT'S USE OF CONFIDENTIAL

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THE WORD WAR, HOWEVER QUALIFIED, WAS THREATENING. IN THE ENSUING CONVERSATION, HE DEPLORED THE READINESS OF THE US AND OTHER WESTERN GOVERNMENTS TO ACCEPT AND SUPPORT THE POSITION OF THE INTERNATIONAL OIL COMPANIES. HE INSISTED THAT OPEC'S RECENT TAX AND ROYALTY INCREASE WAS INTENDED TO REDUCE THE COMPANIES' EXCESS PROFITS AND WAS NOT DIRECTED AGAINST THE CONSUMING COUNTRIES AS SUCH. LIKE MONGUNO, HE SAID THE CONSUMERS MUST ACCEPT THE REALITY OF HIGH PRICES AND ABANDON THEIR PRESENT

ATTITUDE OF CONFRONTATION. ANTICIPATING MEASURES TO BE ANNOUNCED TODAY TO CUT US ENERGY CONSUMPTION, HE SAID THIS WAS THE WISEST THING WE COULD DO TO EASE THE TENSION. IN CONCLUSION, HE SAID THAT IF WE ACCEPT THE NEW ECONOMIC REALITIES AND COOPERATE IN MINIMIZING INFLATION, NIGERIA WILL COOPERATE ON OIL PRICES. IF INCREASES OF IMPORT PRICES WERE KEPT TO AN ANNUAL RATE OF ONLY 7-8 PERCENT, HE SAID NIGERIA WOULD PROBABLY AGREE TO FREEZE OIL PRICES INDEFINITELY.

4. COMMENT: NIGERIAN REACTION TO THE CONTROVERSY OVER THE US STATEMENTS WAS PREDICTABLE. WE OBSERVE IN PARALLEL WITH AMBASSADOR NEWSOM (JAKARTA 12184) THAT THE US MESSAGE ABOUT ECONOMIC INTERDEPENDENCE AND OUR DESIRE FOR COOPERATION WITH OIL PRODUCERS IS NOT GETTING THROUGH. OUR WORDS DO NOT APPEAR TO CONTAIN VERY MUCH WHICH RESPONDS TO NIGERIAN CONCERNS, NAMELY, PROTECTION AGAINST INFLATION, ACCEPTANCE OF PERMANENTLY HIGHER PRICES FOR OIL AND OTHER COMMODITIES PRODUCED IN THE LESS-DEVELOPED WORLD, AND COOPERATION IN REDUCING THE ALLEGED PROFITEERING OF INTERNATIONAL OIL COMPANIES. INSTEAD OF UNDER-SCORING THE DANGER OF FAILURE TO COOPERATE, US ALLUSIONS TO ECONOMIC CATASTROPHE ARE HAVING THE OPPOSITE EFFECT OF GIVING NIGERIANS THE IMPRESSION THAT WE ARE THREATENING RETALIATION IF THEY DO NOT DO OUR BIDDING. THIS IS MAKING THEM DEFEND EVEN MORE TENACIOUSLY ALL RECENT OIL PRICE INCREASES AND STRENGTHENING THEIR RESOLVE TO STAND PAT IN THE FACE OF FURTHER "BULLYING" BY DEVELOPED COUNTRIES.

5. IN THIS HIGHLY CHARGED SETTING, I, LIKE AMBASSADOR NEWSOM, HOPE NO CONGRESSIONAL ACTIONS WILL BE DIRECTED AGAINST OPEC COUNTRIES. NIGERIA MAY BE A MEMBER OF OPEC, BUT IT DID NOT JOIN THE ARAB EMBARGO, AND IT CURRENTLY PRODUCES ABOUT 850,000 BARRELS OF OIL PER DAY FOR CONSUMPTION IN THE US -- OUR MOST IMPORTANT SOURCE OF IMPORTED ENERGY AFTER VENEZUELA, WITH THE

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POSSIBLE EXCEPTION OF CANADA. TO EXCLUDE THE OPEC COUNTRIES AS SUCH FROM THE US SCHEME OF GENERALIZED TRADE PREFERENCES WOULD NOT ONLY POISON OUR BILATERAL RELATIONS, DESTROY OUR CASE FOR ECONOMIC INTERDEPENDENCE AND COOPERATION, AND JEOPARDIZE THE INVESTMENTS OF US COMPANIES, BUT WOULD ALSO GIVE NIGERIA GROUNDS FOR JOINING ANY FUTURE EMBARGO.
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